




Questions and Answers for the Additional Medicare Tax

On November 26, 2013, the IRS issued final regulations ([TD 9645](#) ) implementing the Additional Medicare Tax as added by the Affordable Care Act (ACA). The Additional Medicare Tax applies to wages, railroad retirement (RRTA) compensation, and self-employment income over certain thresholds. Employers are responsible for withholding the tax on wages and RRTA compensation in certain circumstances.

Basic FAQs

- + When did Additional Medicare Tax start?**
- + What is the rate of Additional Medicare Tax?**
- + When are individuals liable for Additional Medicare Tax?**
- + What wages are subject to Additional Medicare Tax?**
- + What Railroad Retirement Tax Act (RRTA) compensation is subject to Additional Medicare Tax?**
- + Are nonresident aliens and U.S. citizens living abroad subject to Additional Medicare Tax?**

Related Topics

- Businesses with Employees
- Employment Taxes
- E-file Employment Tax Forms
- Tax Withholding Estimator
- Penalties

- + Will I also owe net investment income tax on my income that is subject to Additional Medicare Tax?**

Individual FAQs

Wages, RRTA Compensation, and Self-Employment Income

- + Will an individual owe Additional Medicare Tax on all wages, RRTA compensation and self-employment income or just the wages, RRTA compensation and self-employment income in excess of the threshold for the individual's filing status?**
- + Is remuneration not paid in cash, such as fringe benefits, subject to Additional Medicare Tax?**
- + Are tips subject to Additional Medicare Tax?**

Withholding and Estimated Tax Payments

(See [Publication 505, Tax Withholding and Estimated Tax](#), for more information)

- + Will Additional Medicare Tax be withheld from an individual's wages?**
- + Will Additional Medicare Tax be withheld from an individual's compensation subject to Railroad Retirement Tax Act (RRTA) taxes?**

+ Can I request additional withholding specifically for Additional Medicare Tax?

– If my employer withholds Additional Medicare Tax from my wages in excess of \$200,000, but I won't owe the tax because my spouse and I file a joint return and we won't meet the \$250,000 threshold for joint filers, can I ask my employer to stop withholding Additional Medicare Tax?

No. Your employer must withhold Additional Medicare Tax on wages it pays to you in excess of \$200,000 in a calendar year. Your employer cannot honor a request to cease withholding Additional Medicare Tax if it is required to withhold it. You will claim credit for any withheld Additional Medicare Tax against the total tax liability shown on your individual income tax return (Form 1040 or 1040-SR).

+ What should I do if I have two jobs and neither employer withholds Additional Medicare Tax, but the sum of my wages exceeds the threshold at which I will owe the tax?

+ Will I need to make estimated tax payments for Additional Medicare Tax?

+ Does an individual who makes estimated tax payments to pay an expected liability for Additional Medicare Tax need to identify the payments as specifically for this tax?

Calculating Additional Medicare Tax

- + Will individuals calculate Additional Medicare Tax liability on their income tax returns?**
- + How do individuals calculate Additional Medicare Tax if they have wages subject to Federal Insurance Contributions Act (FICA) tax and self-employment income subject to Self-Employment Contributions Act (SECA) tax?**
- + How do individuals calculate Additional Medicare Tax if they have compensation subject to RRTA taxes and wages subject to FICA tax?**
- + How do individuals calculate Additional Medicare Tax if they have compensation subject to RRTA taxes and self-employment income subject to SECA tax?**

Community Property

- + How does a married filing separate spouse in a community property state calculate Additional Medicare Tax on wages subject to FICA tax and self-employment income subject to SECA tax?**
- + How do married filing separate spouses living in a community property state determine their credit for Additional Medicare Tax withheld on wages, their credit for income tax withholding or their credit for estimated tax payments?**

+ How does a registered domestic partner (RDP) who is subject to his or her state's community property laws calculate Additional Medicare Tax on wages subject to Federal Insurance Contributions Act (FICA) tax and self-employment income subject to Self-Employment Contributions Act (SECA) tax?

+ How does a registered domestic partner (RDP) who is subject to his or her state's community property laws determine the credit for Additional Medicare Tax withheld on wages, the credit for income tax withholding, or the credit for estimated tax payments?

Reporting Additional Medicare Tax

+ How do I report Additional Medicare Tax when I file my tax return?

+ Who is required to file Form 8959, Additional Medicare Tax?

+ My wages and self-employment income or my RRTA compensation exceed the threshold for my filing status, but my employer already withheld 0.9% from my wages. Do I have to file Form 8959?

+ My wages and self-employment income or my RRTA compensation do NOT exceed the threshold for my filing status, but my employer withheld 0.9 percent from my wages; do I need to file Form 8959?

+ If I performed services for a business and believe my pay from the business was not for services as an independent contractor, and the business did not withhold my share of Social Security, Medicare and Additional Medicare Tax, how do I report this uncollected Social Security, Medicare tax and Additional Medicare Tax?

+ If I received tip income that I did not report to my employer, how do I report Social Security, Medicare and Additional Medicare Tax on these unreported tips?

Wage Repayments

+ How does an individual claim a refund of Additional Medicare Tax on a repayment to an employer of wage payments received in a prior year?

Employer and Payroll Service Provider FAQs

Withholding

+ When must an employer withhold Additional Medicare Tax?

+ Is an employer liable for Additional Medicare Tax even if it does not withhold it from an employee's wages?

+ Is an employer required to notify an employee when it begins withholding Additional Medicare Tax?

Exhibit 12

066

+ Is there an “employer match” for Additional Medicare Tax (as there is with the regular Medicare tax)?

+ May an employee request additional withholding specifically for Additional Medicare Tax?

+ If an employee requests that I stop withholding Additional Medicare Tax from wages in excess of the \$200,000 withholding threshold, because the employee and spouse file a joint return and won't meet the \$250,000 threshold for joint filers, should I stop withholding Additional Medicare Tax?

+ If an employee’s annual Medicare wages are expected to be over \$200,000, will an employer withhold Additional Medicare Tax from the beginning of the year or only after Medicare wages are actually paid in excess of \$200,000 year-to-date?

+ If a single payment of wages to an employee exceeds the \$200,000 withholding threshold, will an employer withhold Additional Medicare Tax on the entire payment?

+ I have two employees who are married to each other. Each earns \$150,000, so I know that their combined wages will exceed the threshold applicable to married couples that file jointly. Do I need to withhold Additional Medicare tax?

+ What should an employer do if an employee receives wages that are not paid in cash, such as taxable fringe benefits, from which Additional Medicare Tax cannot be withheld?

+ If an employee receives tips and other wages in excess of \$200,000 in the calendar year, how is Additional Medicare Tax paid on the tips?

+ If a former employee receives group-term life insurance coverage in excess of \$50,000 and the cost of the coverage, in combination with other wages, exceeds \$200,000, how does an employer report Additional Medicare Tax on this?

+ For employees who receive third-party sick pay, will wages paid by an employer and by the third party need to be aggregated to determine whether the \$200,000 withholding threshold has been met?

+ If an employee has amounts deferred under a nonqualified deferred compensation (NQDC) plan, when is the nonqualified deferred compensation taken into account as wages for purposes of withholding Additional Medicare Tax?

+ For a company that goes through a merger or acquisition, will the wages from the predecessor and successor employers be combined to determine whether the \$200,000 withholding threshold has been met?

+ Should an employer combine an employee's wages for services performed for all of its subsidiaries if it has an employee who performs services for more than one subsidiary in its company, but the payroll is paid through one of the subsidiaries?

+ I am a common paymaster that pays wages to an employee who is concurrently employed by related corporations. Should I combine this employee's wages for purposes of determining whether wages are paid in excess of the \$200,000 withholding threshold?

+ If an agent pays wages to an employee on behalf of an employer (under an approved Form 2678, Employer Appointment of Agent), then, for purposes of determining whether wages are paid in excess of the \$200,000 withholding threshold, should the agent combine those wages with wages paid to that same employee: 1) directly by the employer, 2) by the same agent on behalf of a different employer, or 3) by another agent on behalf of the same employer?

+ I use an employee leasing company. How should wages be determined for purposes of the \$200,000 withholding threshold?

Reporting Additional Medicare Tax and Correcting Errors

+ When an employer deposits Additional Medicare Tax through the Electronic Federal Tax Payment System

(EFTPS), does it need to separate Additional Medicare Tax from regular Medicare tax?

+ How does an employer report Additional Medicare Tax on Form 941, Form 941-PR or Form 941-SS?

+ How does an employer report Additional Medicare Tax on Form W-2?

+ If an employer underwithholds Additional Medicare Tax (for example, fails to withhold the tax when it pays the employee wages in excess of \$200,000 in a calendar year) and discovers the error in the same year the wages are paid but after its Form 941 is filed, how can the employer correct this error?

+ If an employer overwithholds Additional Medicare Tax (for example, withholds the tax before it pays the employee wages in excess of \$200,000 in a calendar year) and discovers the error in the same year the wages are paid, how can the employer correct this error?

+ If an employer overwithholds Additional Medicare Tax (for example, withholds the tax before it pays the employee wages in excess of \$200,000 in a calendar year) from an employee's wages, should the employer file a claim for refund for the Additional Medicare Tax?

+ If an employer underwithholds Additional Medicare Tax (for example, fails to withhold the tax when it pays the employee wages in excess of \$200,000 in a calendar

Exhibit 12

070

year) and discovers the error in a subsequent year, should the employer correct this error by making an interest-free adjustment?

- + If an employer overwithholds Additional Medicare Tax (for example, withholds the tax before it pays the employee wages in excess of \$200,000 in a calendar year) and discovers the error in a subsequent year, should the employer correct this error by making an interest-free adjustment?**

Wage Repayments

- + How should employers treat repayment by an employee of wage payments received by the employee in a prior year for Additional Medicare Tax purposes (for example, sign on bonuses paid to employees that are subject to repayment if certain conditions are not satisfied)?**

Additional Information

Please visit the [forms, instructions and publications](#) page for items listed in these FAQs.

Page Last Reviewed or Updated: 22-Dec-2022